

Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

25 MAR 1983

MEMORANDUM FOR: James A. Blaker
Deputy Assistant Secretary for International
Energy and Economic Affairs
Department of Defense

FROM :
Deputy Director for Economic-Resource Analysis
Office of Global Issues

SUBJECT : Oman: Oil System Vulnerability

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1. Per our recent discussions, the attached represents
out preliminary assessment of the vulnerability of the Omani
oil system.

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2. If you have any questions or if we can be of further
assistance please feel free to contact

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Attachment:

Oman: Oil System Vulnerability, GI M 83-10085, March 1983

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25 MAR 1983

MEMORANDUM FOR: James A. Placke
Deputy Assistant Secretary for Near East
and South Asian Affairs
Department of State

FROM : [REDACTED]
Deputy Director for Economic-Resource Analysis
Office of Global Issues

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SUBJECT : Oman: Oil System Vulnerability

1. Per our recent discussions, the attached represents our preliminary assessment of the vulnerability of the Omani oil system. [REDACTED]

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Oman: Oil System Vulnerability, GI M 83-10185, March 1983

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OGI/SRD/EVB/[redacted] (24 Mar 83)

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Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

24 March 1983

Oman: Oil System VulnerabilitySummary

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We believe the extended loss of oil export revenues caused by destruction of Oman's key oil facilities would threaten the stability of the regime unless foreign financial assistance was made available. The United States' interests, in particular, would be affected far more than the negligible impact the loss of Omani oil production would have on the world market. Oman exports approximately 330,000 b/d which is worth, at current prices, about \$3.6 billion annually. Oman's location on the Strait of Hormuz, gateway to the Persian Gulf, and its military facility access arrangements with the United States make Oman an important element of U. S. strategy in Southwest Asia. [REDACTED]

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We believe Iran currently poses the most likely military threat to Omani oil facilities. The Khomeini government has already demonstrated its willingness and ability to destroy foreign oil production and export facilities. Oman also has disputes with most of its Arab neighbors on a variety of issues, several of which are linked to Oman's growing relationship with the United States. In our judgment, these disputes between Muscat and its Arab neighbors are less likely to pose threats to Oman's oil facilities. [REDACTED]

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GI M83-10085

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[redacted] the Omani government is aware of the vulnerability of its oil system to foreign military attack and the possible consequences of such an action. Muscat has apparently initiated a study of the system's vulnerability and how it might be reduced. It is not clear, however, to what extent Muscat will act on such recommendations, most of which would be costly to implement. We believe the cornerstone of a successful contingency plan would be the creation of an inventory of critical parts that could quickly replace equipment damaged in an assault. During periods of crisis, the oil system could be manually operated to insure maximum flexibility and reliability. [redacted]

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This memorandum was prepared by [redacted] Energy Vulnerability Branch, Office of Global Issues. The information contained herein is updated to 11 March 1983. Comments may be directed to [redacted] Chief, Energy Vulnerability Branch, on [redacted]

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Oman: Oil System Vulnerability

Oman and Oil

More than 90 percent of Oman's export earnings and 60 percent of its GNP are derived from crude oil sales. With oil production currently targeted at 350,000 to 360,000 b/d, the \$3.6 billion per year it produces is vital to the stability of the Sultanate. While Oman's oil exports are not significant in the world oil market, the stability of the generally cooperative Qaboos regime is of substantial importance to the United States' strategic interests in Southwest Asia. Oman's location on the Strait of Hormuz--through which one-fifth of the free world's crude oil is currently shipped--and its proximity to Iran, the USSR, and the increasingly important Indian ocean area all make Oman a valued ally of the United States in a highly volatile region.

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The Omani Oil System

The crude oil exports that maintain Muscat's national revenues are produced at three locations from nineteen oilfields operated by Petroleum Development (Oman) and one produced by the French firm Elf Aquitaine.

- o North Oman--The Fahud-Yibal area contains six oilfields that generate nearly 60 percent of Oman's current production.
- o Central Oman--the Qarn Alam area also produces from six oilfields and serves as the point through which the remaining 40 percent of the country's production flows. Elf's only producing oilfield is also located in central

Oman.

- o South Oman--Marmul and Rima are the largest of the seven fields producing in this area.

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Potential Threats to the System

We believe Iran presents the greatest potential threat to the Omani oil export system. The Iranians have adequately demonstrated their ability to target key petroleum facilities by their strikes on Iraq's offshore oil-loading terminals at Mina Al

Bakr and Khor Al Amaya in November 1980 and on Kuwait's gas-oil separation plant at Umm al-'Aysh in October 1981. The gunboat and commando attack on the Iraqi terminals eliminated about two-thirds of Iraq's export capacity for the remainder of the war.

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[REDACTED]

We believe the nominal support Muscat has

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provided Baghdad in its war with Iran, combined with the Sultan's good relations with the United States and general endorsement of Arab positions toward Iran could serve as an excuse for a punitive attack given the general vindictiveness of the Khomeini Government, especially if extensive damage were inflicted on Iranian oil facilities. [REDACTED]

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We believe Oman also faces lesser threats from some of its Arab neighbors. The long and violent history of feuding and rivalry between Muscat and Aden and the existence of the largely moribund Popular Front for the Liberation of Oman in South Yemen raise the possibility of guerrilla sabotage, particularly to Oman's southern producing areas. Despite a reconciliation agreement concluded last year between Oman and South Yemen, Aden's long term intentions toward Muscat remain in doubt. Moreover, Oman's continued support of the Camp David agreements, its full diplomatic relations with Egypt, and its facility access agreements with the United States have also drawn considerable criticism from Arab states and organizations. While we do not expect trouble in the near term on these points, we cannot rule out the possibility of conflict in the years to come. [REDACTED]

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Next 7 Page(s) In Document Denied

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